Revival of Co-operative Banking Sector

1988. SHRI V. HANUMANTHARAO: Will the Minister of FINANCE be pleased to state:

(a) whether a Task Force has been set up by Government to study ways and means to revive the Co-operative Banking sector;

(b) if so, whether it is a fact that high transaction costs affect the Co-operative sector;

(c) whether Government have asked the National Co-operative development Corporation to assist in formulating practices and a management change to reduce the high transaction costs in the Co-operative Banking sector; and

(d) if so, the full details of steps proposed to encourage the Co-operative Banking sector?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) The Government has constituted a Task Force under the chairmanship of Prof. A. Vaidyariathan to suggest an implementable action plan to revitalize the Rural Co-operative Credit Structure and to recommend an appropriate regulatory framework.

(b) High transaction and risk cost arising out of delinquencies generally affect the profitability of Co-operative sector.

(c) and (d) Information is being collected and will be laid on the Table of the House.

Warning to Urban Co-operative Banks by RBI

1989. SHRI V. HANUMANTHARAO: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that RBI in Hyderabad has issued a warning signal to some Urban Cooperative Banks in Andhra Pradesh;

(b) if so, in what areas of functioning and management does the RBI find a serious lapse in the Urban Co-operative Banks of Andhra Pradesh;

(c) whether it is also a fact that the UCBs in Andhra Pradesh have too much staff and their salaries are a major cost to the UCBs;

(d) what steps does the RSI advise to reduce the burden of salaries, etc. to ensure better profitability for UCBs in Andhra Pradesh; and

(e) the full details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Reserve Bank of India (RBI) has not issued a warning signal to Urban Cooperative Banks (UCBs) in Andhra Pradesh. However, certain supervisory actions are initiated by RBI both at the regional office and central office level in respect of the UCBs, which exhibit signals of financial weaknesses etc. The Hyderabad office of RBI has initiated such actions in respect of certain UCBs under its jurisdiction. The following are some of the areas where certain shortcomings/deficiencies have been observed in the functioning of some of the UCBs in Andhra Pradesh:

(i) Low level of capital or negative capital.

(ii) High Credit-Deposit ratio.

(iii) Poor asset quality.

(iv) Problems in credit management, internal systems and control etc.

(c) Administration and management of UCBs fall under jurisdiction of the Registrar of Cooperative societies of Andhra Pradesh who has stipulated that establishment cost of banks should not exceed 2% of working capital. However, over staffing was observed in a few UCBs in Andhra Pradesh.

(d) and (e) Management of UCBs including recruitment of staff and the salaries fall under the jurisdiction of the concerned Governments. However, RBI has issued guidelines on the best practices to be adopted by UCBs about cost curtailment and effective use of manpower.

Loopholes in NPA Recoveries

1990. SHRI MURLI DEORA: Will the Minister of FINANCE be pleased to state:

(a) whether Government have studied the progress made by banks in expediting the recovery of non-performing assets after passing the Securitisation Act;